From: "E. Rich Mahan" <ERMahan@ovbc.com> on 02/27/2006 03:34:54 PM

Subject: Commercial Real Estate Lending

Gentlemen:

I write because I think it important to comment on the Guidance being proposed with respect to commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in West Virginia and likewise it is an extremely important part of bank lending.

I understand the need for sound lending and sound loan portfolios. I have concerns, however, that the Guidance as announced will have a negative overall effect on my institution and the economy as a whole.

My concerns are not so much with the individual practices set out in the Guidance, but rather with the way the Guidance is imposed. We have had experience in which examiners impose even existing regulations differently than they previously had done. The proposed Guidance contains certain thresholds and a laundry list of practices and requirements. I am concerned that the rules of the game have suddenly changed.

Specifically, there are several points we would like for the Guidance to make clear. First, that in looking at concentrations there will not be a "one size fits all" response. Each of our institutions has a different history, different controls, different portfolios, and different markets. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

Second, we hope the Guidance will make it very clear that if the concentration thresholds are exceeded, it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution.

Third, the Guidance should expressly indicate that its purpose is not to discourage commercial real estate lending.

If the Guidance is imposed in a mechanical or arbitrary manner, or if it is intended to effect a policy shift discourage commercial real estate lending, then I fear grave consequences. Secured real estate lending has been the bread and butter of banks in West Virginia. If such loans are not available then will we have to look to other types of credits which historically have been more risky?

Perhaps most important, if the message is perceived to be that commercial real estate lending has great regulatory risk, then such loans will significantly diminish. This will lead to a downturn in our economy that will create systemic problems for banks far beyond the risk of commercial real estate loans.

Thank you for your consideration of these concerns and comments. I hope that the final Guidance will address these concerns in a meaningful way.

Very truly yours,

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